

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: Essex Regional Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: June 30, 2020

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 and January 1 of each fiscal year. The schedule is effective in FY21 (since the amount under the prior schedule was maintained in FY21) and is acceptable under Chapter 32.

The revised schedule reflects a reduction in the investment return assumption from 7.50% to 7.30% and an update to both the mortality assumption and the improvement projection scale.

If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

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Section 2: Actuarial Valuation Results

Funding schedule

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of ERI (2002) Liability	(4) Amortization of ERI (2003) Liability	(5) Amortization of Remaining Liability	(6) Total Amortization of UAAL: (3)+(4)+(5)	(7) Actuarially Determined Contribution (ADC): (2) + (6)	(8) Total UAL	(9) Percent Increase in ADC Over Prior Year
2021	\$7,907,996	\$9,345	\$8,679	\$30,656,887	\$30,674,911	\$38,582,907	\$452,793,346	—
2022	8,159,142	9,684	8,994	33,264,080	33,282,758	41,441,900	452,933,082	7.41%
2023	8,418,173	10,120	9,399	36,075,053	36,094,572	44,512,745	450,284,797	7.41%
2024	8,685,333	10,576	9,822	38,700,342	38,720,740	47,406,074	444,426,111	6.50%
2025	8,960,876	11,052	10,264	41,505,277	41,526,593	50,487,468	435,321,864	6.50%
2026	9,245,061	11,549	10,725	44,501,818	44,524,092	53,769,154	422,542,327	6.50%
2027	9,538,159	12,069	11,208	47,702,713	47,725,990	57,264,149	405,613,566	6.50%
2028	9,840,446	12,612	11,712	51,121,549	51,145,873	60,986,319	384,013,369	6.50%
2029	10,152,206	0	0	54,798,223	54,798,223	64,950,429	357,166,823	6.50%
2030	10,473,735	0	0	58,382,580	58,382,580	68,856,315	324,441,508	6.01%
2031	10,805,336	0	0	60,717,884	60,717,884	71,523,220	285,481,230	3.87%
2032	11,147,321	0	0	63,146,599	63,146,599	74,293,920	241,171,070	3.87%
2033	11,500,013	0	0	65,672,463	65,672,463	77,172,476	191,020,258	3.87%
2034	11,863,743	0	0	68,299,362	68,299,362	80,163,105	134,498,183	3.88%
2035	12,238,856	0	0	71,031,336	71,031,336	83,270,192	71,031,336	3.88%
2036	12,625,703	0	0	0	0	12,625,703	0	-84.84%

Notes:

Fiscal 2021 Actuarially Determined Contribution set at budgeted amount.

Actuarially Determined Contributions are assumed to paid on July 1.

Item (2) reflects 2.75% growth in payroll, plus an additional 0.15% adjustment to total normal cost to reflect the effects of mortality improvement due to the generational mortality assumption.

Item (5) increases at 4.0% per year after the 6.50% increases in the ADC.

Projected normal cost does not reflect the impact of pension reform for future hires.

Projected unfunded actuarial accrued liability does not reflect deferred investment gains.